

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Inland Township	County Benzie
Audit Date 3/31/05	Opinion Date 8/31/05	Date Accountant Report Submitted to State: 12/27/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) J L Stephan Co, PC			
Street Address 862 E. Eighth St.	City Traverse City	State MI	ZIP 49686
Accountant Signature 		Date 12/27/05	

Inland Township

Benzie County, Michigan

Audited Financial Statements

For the Year Ended March 31, 2005

TABLE OF CONTENTS

	<u>Page</u>
<i>FINANCIAL SECTION</i>	
<u><i>Independent Auditor's Report</i></u>	1
<u><i>Financial Statements</i></u>	
<u><i>Exhibit</i></u>	
A Government Wide Statement of Net Assets	2
B Government Wide Statement of Activities	3
C Governmental Funds Balance Sheet	4
D Reconciliation of the Balance Sheet to the Statement of Net Assets	5
E Governmental Fund Statement of Revenue Expenditures and Changes in Fund Balance	6
F Reconciliation of the Statement of Revenue, Expenditures, And Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
G Fiduciary Fund Statement of Net Assets	8
H Fiduciary Fund Statement of Changes in Net Assets	9
<u><i>Notes to Financial Statements</i></u>	10-15
<i>REUIRED SUPPLEMENTAL INFORMATION</i>	
<u><i>Schedule</i></u>	
1 Budgetary Comparison Schedule – General Fund	16-17
2 Budgetary Comparison Schedule – Betsie River Road Special Assessment Fund	18
<i>ADDITIONAL INFORMATION</i>	
Combining Balance Sheet – Non-Major Governmental Funds	19
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds	20
<i>OTHER INFORMATION (UNAUDITED)</i>	
<u><i>Comments and Recommendations</i></u>	21-22

FINANCIAL SECTION



J L Stephan Co PC

Certified Public Accountants

Jerry L. Stephan, CPA

Marty Szasz, CPA
David Skibowski, Jr., CPA

INDEPENDENT AUDITOR'S REPORT

To the Township Council
Inland Township
Interlochen, MI 49684

We have audited the accompanying financial statements of the governmental activities and each major fund of Inland Township as of and for the year ended March 31, 2005 as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. These standards require that we plan and perform the audit to provide reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Township as of March 31, 2005 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of April 1, 2004. The accompanying statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of the basic financial statements.

The budgetary comparison information on pages 16-18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. The combining statements of the non-major governmental funds on pages 19-20 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Both the budgetary comparison information and combining statements of non-major governmental funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

J. L. Stephan Co. P.C.

August 31, 2005

Inland Township
Government Wide
Statement of Net Assets
March 31, 2005

Exhibit A

	<i>Governmental Activities</i>
Assets	
Cash and Cash Equivalents	\$ 282,429
Investments	-
Taxes & Fees Receivable	10,049
Due from State	-
Due from Other Funds	656
Special Assessment Receivable	46,564
Capital Assets - Net	<u>57,266</u>
 <i>Total Assets</i>	 <u>396,964</u>
 Liabilities	
Accounts Payable	-
Accrued and Other Liabilities	-
Due to Other Funds	-
Deferred Revenue	<u>56,613</u>
 <i>Total Liabilities</i>	 <u>56,613</u>
 Net Assets	
Invested in Capital Assets - net of related debt	57,266
Unrestricted	<u>283,085</u>
 <i>Total Net Assets</i>	 <u><u>\$ 340,351</u></u>

The Notes to Financial Statements are an integral part of this statement

Inland Township
Government Wide
Statement of Activities
For the Year Ended March 31, 2005

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
General Government	\$ 92,167	\$ 1,635	\$ -	\$ -	\$ (90,532)		\$ (90,532)
Public Safety	59,545	-	-	-	(59,545)		(59,545)
Public Works	3,516	-	4,987	-	1,471		1,471
Community and Economic Dev.	456	-	-	-	(456)		(456)
Recreation and Culture	1,345	-	-	-	(1,345)		(1,345)
Other Functions	-	-	-	-	-		-
Interest on Long-Term Debt	-	-	-	-	-		-
Total Governmental Activities	157,029	1,635	4,987	-	(150,407)		(150,407)
Total Primary Government	\$ 157,029	\$ 1,635	\$ 4,987	\$ -	(150,407)	-	(150,407)
General Revenues							
					59,263	-	59,263
					105,978	-	105,978
					3,162	-	3,162
					10,024	-	10,024
					14,997	-	14,997
					320	-	320
					1,000	-	1,000
					-	-	-
					-	-	-
Total General Revenues and Transfers					194,744	-	194,744
Change in Net Assets					44,337	-	44,337
Net Assets - Beginning					296,014	-	296,014
					\$ 340,351	\$ -	\$ 340,351

The Notes to Financial Statements are an integral part of this statement

Inland Township
Governmental Funds
Balance Sheet
March 31, 2005

Exhibit C

	<i>Betsie River Rd.</i>			
	<i>General</i>	<i>Special Assessment Fund</i>	<i>Non-Major Governmental Funds</i>	<i>Total</i>
Assets				
Cash - Unrestricted	\$ 194,518	\$ 38,389	\$ 49,522	\$ 282,429
Taxes & Fees Receivable	5,860	4,189	-	10,049
Due from State	-	-	-	-
Due from Other Funds	656	-	-	656
Special Assessments Receivable	-	46,564	-	46,564
<i>Total Assets</i>	<u>201,034</u>	<u>89,142</u>	<u>49,522</u>	<u>339,698</u>
Liabilities				
Accrued Liabilities	-	-	-	-
Deferred Revenue	5,860	50,753	-	56,613
<i>Total Liabilities</i>	<u>5,860</u>	<u>50,753</u>	<u>-</u>	<u>56,613</u>
Fund Balances				
Fund Balances - Unreserved	<u>195,174</u>	<u>38,389</u>	<u>49,522</u>	<u>283,085</u>
<i>Total Fund Balances</i>	<u>\$ 195,174</u>	<u>\$ 38,389</u>	<u>\$ 49,522</u>	<u>283,085</u>

The Notes to Financial Statements are an integral part of this statement

Inland Township
*Reconciliation of the Balance Sheet
to the Statement of Net Assets
March 31, 2005*

Exhibit D

Fund Balance - Total Governmental Funds (Exhibit C)	\$ 283,085
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*Amounts reported for governmental activities in the statement of net assets
are different because:*

General Governmental Capital Assets of \$118,542 net of accumulated
depreciation of (\$61,276) are not financial resources and not reported in
in the funds.

57,266

Net Assets of Governmental Activities

\$ 340,351

Inland Township
Governmental Fund
Statement of Revenue, Expenditures
and Changes on Fund Balance
For the Year Ended March 31, 2005

Exhibit E

	<i>Betsie River Rd.</i>			
	<i>General</i>	<i>Special</i>	<i>Non-Major</i>	<i>Total</i>
	<i>Fund</i>	<i>Assessment</i>	<i>Governmental</i>	<i>Governmental</i>
	<i>Fund</i>	<i>Fund</i>	<i>Funds</i>	<i>Funds</i>
<i>Revenues</i>				
Property & Penalties	\$ 59,263	\$ -	\$ -	\$ 59,263
State Grants	110,965	-	-	110,965
Charges for Services	1,235	-	-	1,235
Sales	320	-	-	320
Interest Earned	1,359	94	1,709	3,162
Rentals	400	-	-	400
Reimbursements	10,024	-	-	10,024
Special Assessments	-	14,997	-	14,997
Miscellaneous Income	1,000	-	-	1,000
<i>Total Revenues</i>	<u>184,566</u>	<u>15,091</u>	<u>1,709</u>	<u>201,366</u>
<i>Expenditures</i>				
General Government	105,795	-	-	105,795
Public Safety	59,545	-	-	59,545
Public Works	3,516	-	-	3,516
Community and Economic Dev.	456	-	-	456
Recreation and Culture	1,345	-	-	1,345
Other Functions	-	-	-	-
<i>Total Expenditures</i>	<u>170,657</u>	<u>-</u>	<u>-</u>	<u>170,657</u>
<i>Excess Revenues Over</i>				
<i>(Under) Expenditures</i>	13,909	15,091	1,709	30,709
<i>Other Financing Sources (Uses)</i>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
<i>Total Other Financing</i>				
<i>Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues and</i>				
<i>Other Sources Over (Under)</i>				
<i>Expenditures and Other Uses</i>	13,909	15,091	1,709	30,709
Fund Balance - Beginning	<u>181,265</u>	<u>23,298</u>	<u>47,813</u>	<u>252,376</u>
Fund Balance - Ending	<u><u>\$ 195,174</u></u>	<u><u>\$ 38,389</u></u>	<u><u>\$ 49,522</u></u>	<u><u>\$ 283,085</u></u>

The Notes to Financial Statements are an integral part of this statement

Inland Township

Exhibit F

*Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended March 31, 2005*

Change in Fund Balance - Total Governmental Funds (Exhibit E)	\$ 30,709
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Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$15,978) exceeds depreciation (\$2,350) in the current period.

13,628

Change in net assets of governmental activities (Exhibit B)

<u>\$ 44,337</u>

Inland Township
Fiduciary Fund
Statement of Net Assets
March 31, 2005

Exhibit G

	<i>Trust & Agency</i>	<i>Tax Collection</i>
Assets		
Cash	\$ 475	\$ 700
Due From Other Funds	-	-
	<hr/>	<hr/>
<i>Total Assets</i>	<u><u>\$ 475</u></u>	<u><u>\$ 700</u></u>
Liabilities		
Due to General Fund	\$ -	\$ 655
Due to Others	475	45
	<hr/>	<hr/>
<i>Total Liabilities</i>	<u><u>\$ 475</u></u>	<u><u>\$ 700</u></u>

The Notes to Financial Statements are an integral part of this statement

Inland Township
Statement of Changes in Net Assets
Fiduciary Funds
For the Year ended March 31, 2005

Exhibit H

	<u><i>Trust & Agency</i></u>
<i>Additions</i>	
Tax Collection	\$ 1,782
Payroll Withholding Taxes	<u>5,032</u>
<i>Total Contributions</i>	6,814
Interest Income	<u>-</u>
<i>Total Additions</i>	<u>6,814</u>
 <i>Deductions</i>	
Tax Disbursements	1,782
Payroll Withholding Disbursements	<u>4,996</u>
<i>Total Deductions</i>	<u>6,778</u>
<i>Change in Net Assets</i>	36
Net Assets - Beginning of Year	<u>439</u>
Net Assets - End of Year	<u><u>\$ 475</u></u>

The Notes to Financial Statements are an integral part of this statement

Inland Township
Notes to Financial Statements
March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Inland Township have been prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Effective April 1, 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in these statements include the following:

- Depreciation on capital assets of the Township.
- Financial statements using the accrual basis of accounting for all the Township's activities as adjusted for capital assets and depreciation.
- A change in fund financial statements to focus on major funds.

A. Reporting Entity

Inland Township is a common law township as defined by the laws of the State of Michigan. An elected Supervisor and Township Board govern the Township. The current state taxable value is \$37,835,715 and the 2000 census reported a population of 1587.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

B. Government –Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Inland Township
Notes to Financial Statements
March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes are collected by the Township between December 1 and February 28. Any uncollected real property taxes which become delinquent March 1 are purchased (paid) by Benzie County within 90 days of the Township's year end. Property tax administration fee receivable is not normally received until one to two years later. Both of these items are reflected as deferred revenue on the balance sheet and statement of net assets.

The local unit reports the following major governmental funds:

General Fund - This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, and other intergovernmental revenues.

Special Revenue Funds – These Funds are used to account for specific governmental revenues (other than debt service and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Special Revenue Funds currently maintained by the Township consist of the Betsie River Road Special Assessment Fund, considered a major governmental fund, and the Brundage Cemetery Fund, Countryside Cemetery Fund and the Public Improvement Fund which are considered non-major governmental funds.

Additionally, the government reports the following fund types:

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Inland Township
Notes to Financial Statements
March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Restricted Assets – The unlimited tax general obligation bonds require proceeds from taxes levied for debt retirement to be set aside for debt service principal and interest. These amounts have been classified as restricted assets.

Capital Assets – capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Generally, capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Township officials compiled an inventory during the current fiscal year. Costs were estimated for a large portion of the assets.

Depreciation has been provided on these fixed assets using the straight line method over their estimated useful lives.

- | | |
|----------------------------------|------------|
| • Equipment | 5 years |
| • Furniture & Fixtures | 5-7 years |
| • Building and Land Improvements | 5-30 years |

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Inland Township
Notes to Financial Statements
March 31, 2005

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund and department. The legal level of budgetary control adopted by the governing body is the department level.

Encumbrance accounting is not used and appropriations normally lapse at year-end.

B. Budget Compliance

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated.

During the year ended March 31, 2005, the Township had expenditures in excess of amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund: Clerk	\$ 14,125	\$ 14,150	\$ (25)
General Fund: Township Hall	23,100	22,223	(123)

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by act No. 217, Public Acts of 1982 and Public Act 196 of 1997, states the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- A. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- B. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with Subsection (2).
- C. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase.
- D. In United States government or Federal agency obligation repurchase agreements.
- E. In banker's acceptances of United States banks.
- F. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Inland Township
Notes to Financial Statements
 March 31, 2005

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS - continued

B. Types of Deposits and Investments

The Township maintains all its surplus funds with a local bank in the form of savings/checking accounts and certificates of deposit. Interpreting the FDIC insurance coverage of \$100,000 per deposit to apply separately to the demand and time deposits of a public unit, the bank balances as of March 31, 2005 are categorized as follows:

Category 1 Insured or collateralized with securities held by the entity or its agent in the entity's name.

Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in entity's name.

Category 3 Un-collateralized

	<u>Balance</u>	<u>1</u>	<u>2</u>	<u>3</u>
Cash Deposits	\$ 292,493	\$ 154,292	\$ -	\$ 138,201
Cash Equiv.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 292,493</u>	<u>\$ 154,292</u>	<u>\$ -</u>	<u>\$ 138,201</u>

At year-end, the Local Unit's cash deposits and cash equivalents were reported in the basic financial statements in the following categories:

	<u>Amount</u>
Governmental Activities	\$ 291,318
Trust & Agency Fund	475
Fiduciary Funds	<u>700</u>
Total Deposits	<u>\$ 292,493</u>

NOTE 4 - CHANGES IN GENERAL FIXED ASSETS

Capital asset activity or the primary government for the current year is summarized as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 28,857	\$ -	\$ -	\$ 28,857

Inland Township
Notes to Financial Statements
 March 31, 2005

NOTE 4 - CHANGES IN GENERAL FIXED ASSETS – continued

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>
<i>Capital Assets Being Depreciated</i>				
Buildings	40,000	-	-	40,000
Equipment	13,593	-	-	13,593
Furniture & Fixtures	3,200	-	-	3,200
Bldg. & Land Imp.	<u>16,914</u>	<u>15,978</u>	<u>-</u>	<u>32,892</u>
	<u>73,707</u>	<u>15,978</u>	<u>-</u>	<u>89,685</u>
<i>Accumulated Depreciation</i>				
Buildings	(40,000)	-	-	(40,000)
Equipment	(8,505)	(1,331)	-	(9,836)
Furniture & Fixtures	(2,851)	(63)	-	(2,914)
Bldg. & Land Imp.	<u>(7,570)</u>	<u>(956)</u>	<u>-</u>	<u>(8,526)</u>
	<u>(58,926)</u>	<u>(2,350)</u>	<u>-</u>	<u>(61,276)</u>
<i>Net Capital Assets being Depreciated</i>	<u>14,781</u>	<u>13,628</u>	<u>-</u>	<u>28,409</u>
<i>Total Capital Assets of Governmental Activities – Net of Depreciation</i>	<u>\$ 43,638</u>	<u>\$ 13,628</u>	<u>\$ -</u>	<u>\$ 57,266</u>

Depreciation expense in the current year was charged to programs of the primary government as follows:

<u>Governmental Activities</u>	
General Government	<u>\$ 2,350</u>
Total Governmental Activities	<u>\$ 2,350</u>

NOTE 7 – RISK MANAGEMENT

The Township pays an annual premium to Michigan Municipal Underwriters for its general insurance coverage through the Michigan Township Participating Plan. The Township carries coverage for property damage, liability, crime, and wrongful acts. Also, it carries worker's compensation insurance with The Accident Fund of Michigan. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

Inland Township
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

Schedule 1

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 181,265	\$ 181,265	\$ 181,265	\$ -
<i>Resources (Inflows)</i>				
Property Taxes	32,566	32,566	36,873	4,307
Trailer Park Tax	320	320	297	(23)
Swamp Tax	8,929	8,929	8,947	18
Interest/Penalties on Taxes	-	-	491	491
Property Tax Admin. Fee	13,220	13,220	12,655	(565)
State Shared Revenue	96,000	96,000	105,978	9,978
State ROW	-	-	4,987	4,987
Charges for Services	1,500	1,500	1,235	(265)
Sales	-	-	320	320
Interest Earned	1,800	1,800	1,359	(441)
Rent	50	50	400	350
Reimbursements	1,000	1,000	10,024	9,024
Sexton	4,000	4,000	1,000	(3,000)
Miscellaneous Income	25	25	-	(25)
Transfers from Other Funds	-	-	-	-
<i>Total Available for Appropriation</i>	<i>340,675</i>	<i>340,675</i>	<i>365,831</i>	<i>25,156</i>
<i>Charges to Appropriations (Outflows)</i>				
<i>General Government</i>				
Township Board	30,000	30,000	19,375	10,625
Supervisor	9,500	9,650	9,576	74
Clerk	13,500	14,125	14,150	(25)
Board of Review	1,500	1,500	1,118	382
Treasurer	13,500	13,700	13,589	111
Assessor	15,500	16,900	16,883	17
Elections	3,000	3,020	3,012	8
Township Hall	15,000	23,100	23,223	(123)
Cemetery	9,000	9,000	4,869	4,131
<i>Public Safety</i>				
Fire	60,000	60,000	59,545	455
<i>Public Works</i>				
Roads	19,000	11,875	3,516	8,359
<i>Community & Economic Development</i>				
Zoning & Planning	1,000	1,000	456	544
<i>Recreation & Culture</i>				
Parks & Recreation	300	1,400	1,345	55

Notes to Financial Statements are an integral part of this statement

Inland Township
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

Schedule 1

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Other Expenditures				
Contingencies	5,000	30	-	30
Transfers to Other Funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Charges to Appropriations</i>	<u>195,800</u>	<u>195,300</u>	<u>170,657</u>	<u>24,643</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Budgetary Fund Balance	<u>\$ 144,875</u>	<u>\$ 145,375</u>	<u>\$ 195,174</u>	<u>\$ 49,799</u>

Notes to Financial Statements are an integral part of this statement

Inland Township
Budgetary Comparison Schedule
Betsie River Road Special Assessment Fund
For the Year Ended March 31, 2005

Schedule 2

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 23,298	\$ 23,298	\$ 23,298	\$ -
<i>Resources (Inflows)</i>				
Interest	-	-	94	94
Special Assessments	17,651	17,651	14,997	(2,654)
Miscellaneous Income	-	-	-	-
Transfers from Other Funds	-	-	-	-
<i>Total Available for Appropriation</i>	40,949	40,949	38,389	(2,560)
<i>Charges to Appropriations (Outflows)</i>				
Public Works				
Roads	-	-	-	-
Transfers to Other Funds	-	-	-	-
<i>Total Charges to Appropriations</i>	-	-	-	-
Budgetary Fund Balance	<u>\$ 40,949</u>	<u>\$ 40,949</u>	<u>\$ 38,389</u>	<u>\$ (2,560)</u>

The Notes to Financial Statements are an integral part of this statement

ADDITIONAL INFORMATION

Inland Township
Combining Balance Sheet
Non-Major Governmental Fund
March 31, 2005

	<i>Special Revenue Funds</i>			<i>Total Non-Major Governmental Funds</i>
	<i>Brundage Cemetery</i>	<i>Countryside Cemetery</i>	<i>Public Improvement</i>	
Assets				
Cash	\$ 12,536	\$ 7,877	\$ 29,109	\$ 49,522
Taxes Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
<i>Total Assets</i>	<u>\$ 12,536</u>	<u>\$ 7,877</u>	<u>\$ 29,109</u>	<u>\$ 49,522</u>
 Liabilities and Fund Equity				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	-	-	-	-
Due to Other Funds	-	-	-	-
Fund Balance	<u>12,536</u>	<u>7,877</u>	<u>29,109</u>	<u>49,522</u>
 <i>Total Liabilities and Fund Equity</i>	<u>\$ 12,536</u>	<u>\$ 7,877</u>	<u>\$ 29,109</u>	<u>\$ 49,522</u>

The Notes to Financial Statements are an integral part of this statement

Inland Township
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended March 31, 2005

	<i>Special Revenue Funds</i>			<i>Total Non-Major Governmental Funds</i>
	<i>Brundage Cemetery</i>	<i>Countryside Cemetery</i>	<i>Public Improvement</i>	
<i>Revenues</i>				
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-
Interest and Rentals	658	645	406	1,709
Other Revenue	-	-	-	-
<i>Total Revenues</i>	658	645	406	1,709
<i>Expenditures</i>				
General Government	-	-	-	-
Public Works	-	-	-	-
Other	-	-	-	-
<i>Total Expenditures</i>	-	-	-	-
<i>Excess Revenues (Expenditures)</i>	658	645	406	1,709
<i>Other Financing Sources and (Uses)</i>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
<i>Total Other Financing Sources and (Uses)</i>	-	-	-	-
<i>Excess Revenues (Expenditures) and Other Sources (Uses)</i>	658	645	406	1,709
<i>Fund Balance</i>				
Beginning Or Year	11,878	7,232	28,703	47,813
End of Year	<u>\$ 12,536</u>	<u>\$ 7,877</u>	<u>\$ 29,109</u>	<u>\$ 49,522</u>

The Notes to Financial Statements are an integral part of this statement

OTHER INFORMATION (UNAUDITED)

Inland Township

Comments and Recommendations

In planning and performing our audit of the financial statements of Inland Township, for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Inland Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

We noted the following reportable conditions that we do not believe to be material weaknesses.

Opening Comments

The records of the Township were generally maintained in good condition by your Clerk and Treasurer, and they should be commended for their efforts. Recorded revenues were deposited timely and intact. The Clerk's journals and ledgers appeared to be properly posted, and the cash balances of the Clerk and Treasurer appear to be compared on a regular basis.

In a continuing effort to improve the accounting system, financial reporting, and overall management, we offer the following comments and recommendations for your review.

Financial Reporting

Year-end reports for the General, Countryside Cemetery, Public Improvement and the Parks and Recreation funds did not reconcile with the amounts in the general ledger. When preparing year-end or monthly reports, we recommend the clerk confirm account balances reconcile with those in the general ledger.

The general fund cash balance was overstated by \$15,000 at year-end. It appears a CD was improperly included in the balance. We recommend reporting checking, savings and CD balances separately on the monthly reports as reconciled to bank statements.

The Treasurer does not prepare a bank reconciliation for the tax checking account. We recommend reconciling all bank accounts monthly. Any deposit outstanding for more than two weeks and any check outstanding for more than sixty days should be investigated and resolved.

Fixed Asset Records

A fixed asset inventory was not prepared as recommended with a prior audit. Additional time was required to assemble the information and properly determine items to be listed.

Inland Township

Comments and Recommendations

Payroll Reports

The 3rd quarter 2004 941 payroll was not available. Additional time was required to obtain information from the IRS enabling completion of the audit. Additionally, a copy of the W-3 transmittal was unavailable for review. We recommend greater care be taken to ensure the Township maintains copies of all reports sent to the State and Federal governments.

Closing Comments

We are happy to discuss any of these recommendations and assist you in their implementation. As a matter of course, we will forward the necessary copies of this audit report to the State Treasury Department. We further appreciate the courtesy extended our field auditors in the conduct of this audit engagement. Should any questions arise on these financial statements or our audit, please call upon us.